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C O N F I D E N T I A L ABUJA 003390

SIPDIS

E.O. 12958: DECL:12/16/2012

TAGS: [PGOV](#) [ECON](#) [EFIN](#) [NI](#)

SUBJECT: Nigeria's Privatization Czar Plans to Bow Out

CLASSIFIED BY CDA ANDREWS. REASON: 1.5 (D).

11. (C) Summary: Nasir El-Rufai, Director-General of the Bureau for Public Enterprises, Nigeria's agency for the privatization of state-owned firms, told the Ambassador and DCM on separate occasions that he plans to resign early next year and return to the private sector. El-Rufai said that President Obasanjo lack of commitment to economic reform was the principal reason. El-Rufai also shared a copy of a development plan for the Nigerian economy he prepared for Vice-President Abubakar and hinted that he might return to government service if a new government were serious about economic reform. End Summary.

12. (C) In separate conversations with the Ambassador and DCM in December, El-Rufai said he had offered his resignation to Vice President Atiku Abubakar and intended to leave in February 2003. El-Rufai said Abubakar was astonished and asked, "What will you do?" "Before I came to BPE, Sir, I had another life in the private sector, and I intend to return to it," El-Rufai told Atiku. However, El-Rufai continued, he was very interested in spending some time, perhaps six months, in an academic setting in the United States. Doing so would allow him to re-emerge in the private sector more quietly than if he went directly from BPE into business.

13. (C) El-Rufai said the VP (chair of the National Council on Privatization, the policy-making body that oversees BPE) had pressed for further information on why he wanted to return to the private sector. El-Rufai responded that President Obasanjo's commitment to privatization and greater transparency had collapsed under the pressures of politics. Trying too hard to please those who could never be placated, Obasanjo was sacrificing the precepts of a sensible economic agenda in the interest of getting re-elected. Once lost in the current electoral cycle, the momentum behind economic reform would not be readily restored

14. (C) El-Rufai said he told Abubakar that Nigerian leaders, when they finally get around to economic issues, become fixated on grandiose development projects and do not devote sufficient thought to formulating a sound economic vision for the country. He went on to say that, as a result of this imbalance, the country now faces its worst fiscal crisis since independence. That fiscal crisis, and the overall economic malaise of which it is symptomatic, was the root cause of recent violence in Kaduna, according to El-Rufai. "The riots were not about the Miss World Pageant," he said, "They were about economics."

15. (C) El-Rufai reports one part of the political compromise to keep Abubakar on Obasanjo ticket as VP for the 2003 election was Obasanjo pledge to let Abubakar run the economy during the next term. With that in mind, he says Abubakar asked him to prepare a blueprint for Nigeria's economic growth. El-Rufai said he had told Abubakar that a re-elected Obasanjo would be too chastened to re-start the process, and any other winner (including Abubakar) would likely do no better. Nigerian politicians, El-Rufai said, were simply too preoccupied by the politics of dividing the pie to think about the policies required to make the pie bigger.

16. (C) Nonetheless, he prepared an economic plan for the VP, "Breaking the Vicious Circle: An Agenda for the Reform of the Nigerian Economy for the Twenty First Century." The plan focuses on better management of government resources, the need for improved regulation of the economy, and the development of human capital -- all with a view toward increasing the role of the private sector in the economy. (Note: A copy of El-Rufai plan will be forwarded to AF/W. End Note.)

17. (C) In addition, El-Rufai left open the possibility of returning to government after a stint in academia, but not

until well after the upcoming elections, so that he could judge from a distance whether commitment to true economic reform was present. He was hopeful that Abubakar might broker a ministerial position for him if Obasanjo were re-elected. However, he emphasized he would only take such a position if there were a real opportunity to implement the reforms needed to put the Nigerian economy on track.

18. (C) Comment: El-Rufai represents the next generation of economic leadership in Nigeria. His development plan is the best concise articulation of how to fix what is wrong with the Nigerian economy. We are hopeful that the next President will reward his vision with a ministerial position, but due to El-Rufai's frankness and relative insensitivity to political considerations we think it more likely that he will be offered a less-political job. End Comment.  
ANDREWS